

Indiana Department of Natural Resources
Division of Forestry

Group Chain of Custody Certification Procedures for the
Forest Stewardship Council (FSC)

Division of Forestry (Group Entity) Procedures



June 23, 2010

Certificate Number SCS-COC-002041

I. Introduction

To facilitate the efficient application of Chain of Custody (CoC) Certification for Indiana forest products industries, the Division of Forestry (DoF) initiated a Group CoC Certification Procedure. This document outlines the procedures the DoF will follow to maintain the integrity of the group. The Division of Forestry is the “Group Entity” with responsibility for administration of the group and communication and coordination with the Certifying Body. The DoF executed the SCS Chain of Custody agreement for a multi-site organization to be established as the Group Entity.

1.1. Eligibility

Membership in the DoF Group Chain of Custody certificate will be limited to forest products companies that meet the following qualifications:

- Located within the State of Indiana
- Engaged in logging, hauling or primary processing of forest products
- Make application to the Division of Forestry (DoF) requesting group membership
- Acknowledge and agree to the requirements and responsibilities of group membership
- Authorize the DoF to apply for CoC certification on the member’s behalf
- Agree to comply with Corrective Action Requests (CARs) issued by DoF, contract auditors, or the Certification Body, SCS
- Agree to provide information (as necessary to ensure compliance with FSC CoC standards) to the DoF or the Certification Body upon request. This information may include, but not limited to: production records, internal policy documents, management records, invoices for services or products, agreements with outside entities; this information (excluding financial data) will be publicly available upon request.
- Submit to an initial audit and to annual audits by DoF and/or the Certifying Body
- Agree to have FSC product claims for labeling, marketing, and promotion comply with the appropriate FSC standard and be approved by SCS through the DoF.

1.2 Membership fees

Small member companies are defined as those companies with 15 or fewer employees, including full time, part time and seasonal staff, or with total sales less than \$5 million, or as otherwise defined by FSC. These small companies will not be required to pay an audit fee to DoF or the FSC Certification Body. The Division of Forestry will pay all costs to the Certification Body for audits. Small companies will be required to pay annual licensing fees as described below.

Companies that do not meet the FSC definition of “small” must agree to pay the audit cost directly to the FSC Certification Body. The DoF has contracted with Scientific Certification Systems (SCS, the FSC Certification Body) for the period July 1, 2008

through June 30, 2014 during which time the cost of an audit under this requirement will be at a reduced rate (initially \$2,400 per audit). Each company under this requirement must understand that it will receive individual audits and be subject to individual certification decisions by the Certification Body. SCS will directly audit all companies that do not meet the FSC definition of “small”.

1.3 Annual Licensing fees

All member companies, regardless of number of employees, will be required to pay an annual licensing fee (AAF) to the Certification Body. These fees are set annually by the FSC and are based on total revenues (not solely on FSC sales) of the certified entity. The DoF will collect these fees from individual members and pay to SCS as requested. Fees are based on total value of sales of group members in the aggregate.

II. DoF (Group Entity) Responsibilities

2.1 Group Entity Authority

The Division of Forestry is the legal entity that will act as the Group Entity. The DoF entered into a contract with Scientific Certification Systems (the Certifying Body) to create and maintain a group CoC scheme compliant with FSC guidelines. The DoF will have the following authority and responsibilities:

- Communicate with and coordinate with SCS on behalf of the group and its members.
- Maintain all necessary group records, submit reports, schedule audits, and will forward any necessary information to the group members.
- Implement any actions necessary to comply with corrective action requests
- Remove any member from the group if the requirements of group membership or any corrective action are not complied with.
- Collect all annual licensing fees described in §1.3 and submit those fees to SCS.
- Notify SCS within one month of any additions or deletions to the membership list
- Provide training on CoC or Controlled Wood procedures to group members as necessary, and maintain records of member training

2.2 DoF Procedures

2.2.1 New Members. The DoF will provide the opportunity for all qualifying companies to submit application for membership. Within 30 days of receipt of a signed application for membership, DoF will initiate the steps necessary to enroll the applicant into the group.

2.2.2 Membership Application. DoF will maintain a signed membership application or consent form for each group member. A blank Membership Application is included in Appendix A.

2.2.3 Training. The DoF will provide training to group members annually or more frequently if needed. Group members will be notified of training opportunities through use of electronic and/or mail newsletters. Prospective members will be notified of group activities, training, and opportunities for membership through use of the Licensed Timber Buyer's newsletter that all licensed timber buyers receive monthly.

2.2.4. Initial Inspection. The DoF will conduct an initial inspection of all new members within 30 days of receipt of all necessary group member information. The initial inspection will involve a review of the member's procedures, records and other documents, along with an inspection of the applicant's facilities. Based on the results of the inspection, the DoF will: 1) admit the applicant into group membership with or without conditions or 2) deny group membership. Each applicant that is denied group membership will be given a statement explaining why membership was denied and what corrections would need to be made to gain membership.

2.2.5. Annual Monitoring. The DoF will conduct an audit of each group member annually. An exception may be made for group members that had no FSC certified production during the previous year. Monitoring for FSC-active members will include a review of documents, facilities, and FSC logo use and market claims. Records of the results of the DOF annual monitoring will be maintained by the DoF and be made available to SCS upon request.

2.2.6. Records. The DoF will maintain an electronic database containing the necessary information for each group member. That database will include:

- Name, address and other contact information of each group member, including the name of the contact person
- Date of entry into the group
- Sub code assigned to the member
- The scope of the member's certificate
- Dates of audit or inspection
- List of non-compliance and actions taken to correct non-compliance
- FSC product inflows and outflows
- Date the member was removed from the group along with the reason why the member was removed
- Member's choice to include FSC Controlled Wood, or Credit or Percentage Systems

All records will be maintained for a minimum of 5 years.

2.2.7. Reporting to the Certifying Body. The DoF will submit annual reports to SCS summarizing all the information stored in the database described in §2.2.6. Reports will be submitted as requested by SCS or by March 1 of each calendar year. This date will facilitate scheduling of the group audit by SCS during first quarter of each calendar year.

2.2.8 Member use of FSC trademarks. The DoF will require members to notify the DoF of proposed use of the FSC logo or trademarks "FSC" or "Forest Stewardship Council". The DoF will request approval for use of the trademark from SCS and will

forward a copy of that approval to the member. Both the member and the DoF will maintain a copy of the approval.

2.2.9 Product Group Chart. The DoF will maintain a complete list of product groups including the input and output categories, species and control system. That list is attached as Appendix B

2.2.10 Group Member Auditing and Auditor Training. The primary responsibility for group member auditing will be assigned to the FSC CoC Administrator listed below. The DoF may utilize other employees or contractors to assist in group management or member auditing activities. If other employees or contractors are utilized, they will receive the following initial training. The DoF will document the dates and attendees for the following training:

- Review of DoF Procedures Manual
- Review CoC Group Member Procedures Manual
- Review of FSC Standard for Chain of Custody Certification (FSC-STD-40-004 (2-0) EN
- Review of Standard for Company Evaluation of FSC Controlled Wood (FSC-STD-40-005 (Version 2-1) EN)
- Review of the previous audit report for applicable members
- Review of applicable member files

2.3. FSC CoC Administrator.

The Division of Forestry individual assigned the overall responsibility of FSC CoC Administrator is:

Carl Hauser, Forest Certification Coordinator
Indiana Division of Forestry
402 W. Washington, Room W296
Indianapolis, IN 46204
chauser@dnr.in.gov
Phone 317-232-4114 Fax 317-233-3863

III. Controlled Wood Procedures.

3.1 Each group member will be given the option to supply FSC Controlled Wood to other FSC CoC certified companies. The DoF will provide training and necessary guidance to assure compliance with FSC-STD-40-005 (2-1) EN.

3.2 Division of Forestry policy is to avoid sourcing wood or wood fiber as specified in Part 1 of FSC-STD-40-005 (2-1) EN. That policy is posted on the DoF website and reprinted in Appendix C. The same company policy will be required of any group member that participates in the Controlled Wood certificate.

3.3. The DoF completed a Controlled Wood Risk Assessments for the entire Eastern United States (those 31 states east of or adjacent to the Mississippi River) and the states

of Washington and Oregon. Both risk assessments are attached as Appendix D. The DoF will revise and update Risk Assessments at least annually. If 2 or more non-compliances with the FSC Controlled Wood requirement are discovered within one year, the DoF will review the Risk Assessment within 1 month of discovery.

3.4 The DoF established a complaints mechanism that is posted on the DoF website and attached as Appendix E.

3.5 The DoF established a regular audit process to verify the authenticity of the specified documentation to confirm the country and district of origin of wood. During annual audits of Group Members, the DoF will record the number of suppliers of Controlled Wood from each member for the previous audit year. The number of suppliers of all members will be totaled. The DoF will randomly select a number of suppliers to be audited based on multiplying 0.6 times the square root of the number, rounded up to the next higher number total (if total number = 100, then audit number = 0.6 times 10 or 6). The results of these audits will be reported to the Certifying Body (CB) during the annual audit. If the CB determines that the risk of non-compliance to be higher, the audit number will be increased to a level considered appropriate by the DoF and CB.

Audits of selected suppliers or supplies will involve collection of documents related to the supply, telephone and/or field audits of the supplier's facility/office/forest of origin as appropriate.

Appendix A. Application for Group Membership in the Indiana Division of
Forestry Group Chain of Custody for Forest Stewardship Council (FSC)
Certificate Number SCS-COC-002041

Business Name: _____

FSC CoC Administrator: _____
(Contact Name)

Mailing Address: _____

City: _____ State: IN Zip: _____

Phone: _____ Email: _____

Fax: _____ Website: _____

Type of Business:

☐ Logging ☐ Hauling ☐ Sawmill ☐ Concentration Yard ☐ Veneer Mill

☐ Other (Specify) _____

Number of Employees, including seasonal, full time, part time: _____

Estimated Annual Production: _____
(Annual production amount) (Unit – mbf, pieces, tons)

I hereby request to be included in the Indiana Division of Forestry FSC Group Certificate. I acknowledge and agree to the requirements and responsibilities of group membership and to comply with the FSC standards and respond to any Corrective Action Requests identified by the Division of Forestry or its contractors. I authorize the Division to apply for certification on my behalf. I understand that membership in this group is totally voluntary and that I may withdraw from the group for any reason with a 30-day notice to the Division of Forestry.

Signature: _____ Title: _____

Printed Name: _____ Date: _____

FSC License Subcode: _____

Date Removed from Group: _____ Reason: _____

Return to: Carl Hauser, IDNR Division of Forestry, 402 W. Washington Room W296, Indianapolis, IN 46204. Phone 317-232-4114, email chauser@dnr.in.gov, fax 317-233-3863.

Appendix B. Product Group Chart

Indiana Division of Forestry and Indiana State Forests Product Group Chart

FSC Material Output Category	FSC Product Classification	Species	Material Input Categories	Control System
FSC Pure FSC Mixed FSC Controlled Wood	UN 0311 Coniferous Sawlogs UN 3110 Wood sawn sliced or peeled lengthwise, exceeding 6 mm; untreated railroad ties UN 3151 Veneer sheets; sheets for plywood UN 0313 Fuel Wood in logs or similar forms UN 3170c Staves UN 3123 Wood in chips or particles UN 319B Bark or bark mulch	eastern redcedar jack pine shortleaf pine red pine pitch pine eastern white pine Virginia pine baldcypress	FSC Pure FSC Mixed FSC Controlled	Transfer Credit
FSC Pure FSC Mixed FSC Controlled Wood	UN 0312 Non-Coniferous Sawlogs UN 3110 Wood sawn sliced or peeled lengthwise, exceeding 6 mm; untreated railroad ties UN 3151 Veneer sheets; sheets for plywood UN 0313 Fuel Wood in logs or similar forms UN 3170c Staves UN 3123 Wood in chips or particles UN 319B Bark or bark mulch	red maple silver maple sugar maple bitternut hickory pignut hickory shellbark hickory shagbark hickory mockernut hickory hackberry common persimmon American beech white ash green ash blue ash honeylocust black walnut sweetgum yellow-poplar blackgum American sycamore eastern cottonwood bigtooth aspen quaking aspen black cherry white oak scarlet oak northern pin oak shingle oak chinkapin oak	FSC Pure FSC Mixed FSC Controlled	Transfer Credit

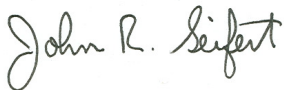
**Indiana Division of Forestry and Indiana State Forests
Product Group Chart**

FSC Material Output Category	FSC Product Classification	Species	Material Input Categories	Control System
		pin oak chestnut oak northern red oak post oak black oak black locust sassafras American basswood American elm slippery elm		

Appendix C. Policy for Sourcing Wood, Wood Fiber and Pulp for All Forest Stewardship Council (FSC) Certified Products

It is the policy of the Indiana Division of Forestry and all members of the FSC Group Chain-of-Custody Certificate to avoid using wood from forest areas where traditional or civil rights are violated; forest areas where high conservation values are threatened by management activities; wood from forests in which genetically modified trees are planted; wood that has been harvested illegally or wood harvested from areas which have been converted from natural forest to plantations or non-forest uses. The Indiana Division of Forestry has appointed Carl Hauser, Property Programs Specialist as the contact person responsible for implementing this policy. If it is demonstrated that any member of the Indiana Division of Forestry Group Chain-of-Custody Certificate is using wood from such sources in its FSC certified products, we will promptly take appropriate actions, including stopping purchases from such sources. The Indiana Division of Forestry and all group members are committed to making best efforts to identify the sources of wood used for products labeled according to the FSC rules, and to establish the origin of materials used in the products affected with sufficient geographical resolution to ensure compliance with the policy. If it proves impossible to identify the origin of some of these raw materials, we are committed to replacing them with materials which can be sourced with confidence. Our sourcing policy requires us to verify and monitor our sources, the proportions of raw materials which have not yet been verified, and the steps being taken to replace materials of unknown origin.

Adopted August 18, 2008

A handwritten signature in cursive script that reads "John R. Seifert".

John R. Seifert
Director and State Forester, Indiana Division of Forestry

Appendix D. Risk Assessment.

Date of Risk Assessment: 09/17/2009

Date Approved:

Country and District of Origin: USA – All States East of and adjacent to the Mississippi River (31 states). States included in this District of Origin include: Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin

Certificate Holder	Indiana Division of Forestry	Certification Body	Scientific Certification Systems
FSC CW Certificate Code		Date of CB Approval	
Date of Risk Assessment	09/17/2009		
Certificate Holder Address	Indiana Division of Forestry 402 W. Washington, Room W-296 Indianapolis, IN 46204	Title	FSC Controlled Wood Assessment Summary for Indiana Division of Forestry

1. Illegally Harvested Wood The district of origin may be considered low risk in relation to illegal harvesting when <u>all</u> the following indicators related to forest governance are present:	Findings and Resources	Resulting Level of Risk
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<p>1.1 Evidence of enforcement of logging related laws in the district.</p>	<p>1. American Hardwood Export Council (AHEC) Legality Study: (An Assessment of Risk: Legality & Sustainability of US Hardwood Exports). The AHEC recently commissioned an assessment of illegal logging in the hardwood producing areas of United States. The study area includes all states east of and adjacent to the Mississippi River and Oregon and Washington. This report reports that the study area is determined to be LOW RISK for illegally harvested wood. The report is available from AHEC (www.ahec.org).</p> <p>There have been international assessments of illegal logging from the World Wildlife Fund (WWF), Seneca Creek Associates, and Wood Resources International. These organizations have identified the areas where they have evidence of systematic illegal logging. These areas do not include the U.S. or Canada. In addition, the U.S. and Canada score high in measures of good governance such as offered by Transparency International and the World Bank. See http://www.worldbank.org/wbi/governance/data for good governance data compiled by the World bank and http://www.transparency.org/policy_research/surveys_indices/cpi for Transparency International indices.</p> <p>It is arguable that illegal logging is a problem in the United States. However, when compared to the global situation, relatively, illegal logging in this country is of such small magnitude or frequency that it cannot be considered to be systematic in any areas of the U.S. In addition, any illegal logging that does occur is often prosecuted or the rightful owner has means to remedy the situation.</p> <p>2. www.illegal-logging.org provides no evidence of anything affecting the Eastern USA sourcing area.</p> <p>3. http://www.in.gov/dnr/forestry/files/fo-timber-harvest.pdf on the Indiana Division of Forestry website summarizes legally harvested timber within the state of Indiana and reports that a negligible amount (0.04%) was illegally acquired during the previous 5-year period; the document further describes the state laws that apply. All other states within the region have laws affecting illegal harvest of timber with low rates of illegal acquisition.</p>	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk</p>
<p>1.2 There is evidence in the district demonstrating the legality of harvests and wood purchases that includes robust and effective systems for granting licenses and harvest permits.</p>	<p>The Lacey Act (originally enacted in 1900) recently amended May 22, 2008, with the Food, Conservation, and Energy Act of 2008. This amendment expanded its protection to a broader range of plants and plant products including logging. The Lacey Act makes it unlawful to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant in violation of the laws of the United States, a State, an Indian tribe, or any foreign law that protects plants. The Lacey Act prohibits all trade in plant and plant products (e.g., furniture, paper, or lumber) that are illegally sourced from any U.S. state or any foreign country, requires importers to declare the country of origin of harvest and species name of all plants contained in their products, and establishes penalties for violation of the Act.</p>	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk</p>

1.3 There is little or no evidence or reporting of illegal harvesting in the district of origin.	<ol style="list-style-type: none"> 1. www.panda.org reports no instances of illegal logging within the USA. 2. www.eldis.org provides no evidence of illegal harvesting within the USA. 3. Most states have laws related to illegal harvesting and penalties. For example, Indiana (http://www.in.gov/dnr/forestry/files/fo-timber-harvest.pdf) reports that only 0.04% of timber within the state was illegally acquired, a majority of which are accidental problems that are settled between parties. 	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.	AHEC Legality Study concluded that that wood procured in this area can be considered Low Risk to threat to legality, based on the determination that there is no reported systematic illegal logging reported in this area and regulatory processes have been found to be highly effective.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2. Wood harvested in violation of traditional or civil rights The district of origin may be considered low risk in relation to the violation of traditional, civil and collective rights when <u>all</u> the following indicators are present:	Findings and Resources	Risk Level
2.1 There is no UN Security Council ban on timber exports from the country concerned.	<ol style="list-style-type: none"> 1. http://www.un.org/Docs/sc/unsc_resolutions07.htm address numerous countries around the world with no relevance to this area. 2. The AHEC Legality Study reports no bans on timber exports from this area. 3. http://www.globalwitness.org/ reports no issue relative to this area 	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2.2 The country or district is not designated a source of conflict timber (E.g USAID Type 1 conflict timber).	<ol style="list-style-type: none"> 1. http://www.usaid.gov/our_work/cross-cutting_programs/transition_initiatives/pubs/vol1synth.pdf relates to conflict timber in Asia and Africa and does not apply to this area. 2. The entire USA does not comply as a designated source of conflict timber. 	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2.3 There is no evidence of child labor or violation of ILO Fundamental Principles and	The USA has comprehensive laws prohibiting the use of child labor or violation of worker rights.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified

Rights at work taking place in forest areas in the district concerned.		Risk
2.4 There are recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the district concerned.	<p>1. www.fscus.org confirms that the USA has federal and state laws that preclude such violations and there are recognized and effective practices in place to resolve conflicts over traditional and cultural use rights.</p> <p>2. The AHEC legality study concludes that wood procured in this area can be considered Low Risk of violating traditional and civil rights. There are recognized and equitable processes in place to resolve conflicts of substantial magnitude.</p>	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2.5 There is evidence of no violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the district concerned.	www.fscus.org – ILO Fundamental Principles and rights at work are generally respected in the USA.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
3. Wood harvested from forest in which high conservation values are threatened by management activities The district of origin may be considered low risk in relation to threat to high conservation values if: a) indicator 3.1 is met; <u>or</u> b) indicator 3.2 eliminates (or greatly mitigates) the threat posed to the district of	Findings and Resources	Risk Level

origin by non-compliance with 3.1.		
3.1 Forest management activities in the relevant level (eco-region, sub-eco-region, local) do not threaten ecoregionally significant high conservation values. OR	1. AHEC legality Study. A strong system of forest protection is in place across the entire USA.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
3.2 A strong system of protection (effective protected areas and legislation) is in place that ensures survival of the HCVs in the ecoregion.	<p>1. http://www.worldwildlife.org/science/ecoregions/WWFBinaryitem4810.pdf identifies two forested eco-regions within this area that are listed as vulnerable or critical or endangered. The Appalachian Mixed Mesophytic is listed as vulnerable; the Southeastern Coniferous and Broadleaf forest is listed as Critical or Endangered. All states within these two eco-regions have extensive programs to identify and protect biodiversity hotspots or nature preserves to assure continued survival; an extensive system of national forests and wildlife preserves protects thousands of acres; NGOs such as The Nature Conservancy have additional systems of Nature Preserves. With the level of detection and preservation within this area, there is little risk to high conservation values.</p> <p>2. The Nature Serve network (http://www.natureserve.org/visitLocal/index.jsp) includes member programs operating in all 50 U. S. states as well as Canada and many other countries around the world. The Indiana Department of Natural Resources, as an example, has an active nature preserves program (http://www.in.gov/dnr/naturepreserve/). The Division of Nature Preserves locates and manages nature preserves to protect areas of high conservation value, and actively searches for the state's most significant natural areas through an intensive statewide inventory as part of a world wide system of natural heritage programs.</p>	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses The district of origin may be considered low risk in relation to conversion of forest to	Findings and Resources	Risk Level

<p>plantations or non-forest uses when the following indicator is present:</p> <p>[Note: the change from plantations to other land uses is not considered as conversion].</p>		
<p>4.1 There is no net loss AND no significant rate of loss (> 0.5% per year) of natural forests and other naturally wooded ecosystems such as savannahs taking place in the eco-region in question.</p>	<p>1. US Forest Service Forest Inventory and Analysis data are available for each state within this area. The growth of forests generally exceeds removals. The total acreage of forest land in most state is generally stable. According to the US Forest Service document http://www.ncrs.fs.fed.us/pubs/gtr/gtr_nc241.pdf, only 10 of the 31 states in this area had declining forest acreages during the 15-year period from 1987 to 2002. Annual rates of decline in those states ranged from 0.27% in New Hampshire to 0.01 percent in Maine. Forest acres increased in the remaining 21 states at an annual rate of 0.01 percent to a high of 1.83 percent in Iowa. Overall in this 31-state area, acres of forest increased from 348,860,000 acres to 359,475,000 acres, an annual increase of 0.20.</p> <p>A more recent document, Forest Resources of the United States, 2007, available at http://fia.fs.fed.us/program-features/rpa/, reports similar information. This document compares state by state forest acreages between 2007 and 1997. This summary reinforces the concept that forest acreage in the 31-state area is increasing, from 358,407,000 acres in 1997 to 361,746,000 acres in 2007, an increase of 3,339,000 acres or 0.93% (annual increase of 0.09%). However, this 10-year period indicates that 14 of the 31 states are declining in forest acreage, while 17 are increasing. Alarming, according to this report, three states exceed the 0.5% annual deforestation rate (Maryland at -0.51%, Kentucky at -0.58%, and Rhode Island at -1.38%), indicating that a more detailed evaluation of the deforestation data in these three states was warranted.</p> <p>The data in the above mentioned Forest Resources of the United States, 2007, was based on Forest Inventory and Analysis Information from the various states. The inventory schedule varies from state to state, so the reported information does not always apply directly to the 10-year period. To determine current deforestation rates in these three states, we consulted the USFS FIA online database query tool, EVALIDator Version 4.0, http://fiatools.fs.fed.us/Evalidator4/tmattribute.jsp, on September 17, 2009. Detailed information from the three questionable states is as follows:</p>	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk</p>

	<p>Maryland: A complete report of Maryland resources is dated 1999, with annual surveys completed in 2004-2006. The most accurate comparison is between the 1999 survey and the three year summary of 2004-2006, for a 7 year comparison. The forest acreage in Maryland decreased from 2,564,730 acres in 1999 to 2,437,799 in 2006 for a total decline of 126,931 acres during the 7-year period. This represents an annual decline of 0.72%. The Table also reports that the sampling error is 2.21 percent from the 1999 survey and 3.3% for the 2004-2006 survey. Applying these errors to the data, the actual change is likely within the range of 10,197 acre increase to a 264,059 acre decrease. On a positive note for Maryland's forest resources, the state recently passed (May 7, 2009) the "<i>Sustainable Forest Act of 2009</i>" and the complementary "<i>No Net Loss of Forest Act</i>" to protect existing forests and encourage the planting of more trees to replace forests that have been cleared for development. These two bills are intended to protect the states forested area in perpetuity, so the sustainability of Maryland's forests is established in state law. Also noteworthy, Maryland is a small state, accounting for only 0.71% of the forest acreage within the 31-state area, so the contribution of Maryland timber to the Indiana forest products industries is negligible.</p> <p>Kentucky: Complete inventories of Kentucky resources were completed in 1988 and a 5-year report covering the years 2000-2004. Since then, annual reports have been completed for 2005 and 2006. Two ways to compare the current change in acreage is to compare the 2006 one-year estimate with the 2000-2004 5-year estimate. This comparison indicates an increase of 119,347 acres from 2004 to 2006, an annual increase of 0.50%. Comparing the 1988 acreage to the one-year 2006 acreage indicates an annual rate of decline of 0.24%. Furthermore, comparing the 1988 survey with the 2004 survey numbers (the two surveys with the best estimate or lowest sampling errors) the annual rate of decline is 0.34%. In conclusion, the change in forest acres in the state of Kentucky is in the range of -0.34% annually to +0.50%, none at the 0.50% deforestation rate.</p> <p>Rhode Island: A complete inventory of Rhode Island forest resources was completed in 1985 and 1998, with a 4-year summary of the years 2003-2006 being the most recent information available. A comparison of the 1998 survey with the 2003-2006 survey indicates a reduction in forest acreage from 393,250 acres to 364,644 acres, a reduction of 28,606 acres or an annual rate of 0.94%. Reported sampling errors for these two inventories are 5.47% and 4.46% respectively. Also noteworthy, Rhode Island forest acres account for only 0.10% of the forest acreage in the 31-state area, so the contribution of Rhode Island timber to the forest industry in Indiana is negligible.</p> <p>Because the entire 31-state area is experiencing an increase in forest acreage, and the only two states individually experiencing a decline greater than 0.5% annually contribute a combined 0.81% of forest acreage in the region, the area is at low risk of deforestation.</p>	
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5. Wood from forests in which genetically modified trees are planted 5. The district of origin may be considered low risk in relation to wood from genetically modified trees when <u>one of</u> the following indicators is complied with:	Findings and Resources	Risk Level
a) There is no commercial use of genetically modified trees of the species concerned taking place in the country or district concerned. OR	http://www.fscus.org/images/documents/controlled_wood/5_07/US%20CW%20Guidance%20-%20v3.2.doc states that currently the only possible source of genetically modified wood is from China plantations of one species, Lombardy poplar (<i>Populus nigra</i>). No other species is available as GMO; the use of Lombardy poplar in general and specifically from China is extremely low to non-existent	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
b) Licenses are required for commercial use of genetically modified trees and there are no licenses for commercial use. OR	AHEC Legality Study – At this time all wood sourced in the US can be considered to not contain wood from GMO trees.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
c) It is forbidden to use genetically modified trees commercially in the country concerned.	NA	<input type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk

Date of Risk Assessment: 01/28/2010

Date Approved:

Country and District of Origin: USA – States of Washington and Oregon.

Certificate Holder	Indiana Division of Forestry	Certification Body	Scientific Certification Systems
FSC CW Certificate Code		Date of CB Approval	
Date of Risk Assessment	01/28/2010		
Certificate Holder Address	Indiana Division of Forestry 402 W. Washington, Room W-296 Indianapolis, IN 46204	Title	FSC Controlled Wood Assessment Summary for Indiana Division of Forestry – West Coast

1. Illegally Harvested Wood The district of origin may be considered low risk in relation to illegal harvesting when <u>all</u> the following indicators related to forest governance are present:	Findings and Resources	Resulting Level of Risk
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<p>1.1 Evidence of enforcement of logging related laws in the district.</p>	<p>1. American Hardwood Export Council (AHEC) Legality Study: (An Assessment of Risk: Legality & Sustainability of US Hardwood Exports). The AHEC recently commissioned an assessment of illegal logging in the hardwood producing areas of United States. The study area includes all states east of and adjacent to the Mississippi River and Oregon and Washington. This assessment reports that the study area is determined to be LOW RISK for illegally harvested wood. The report is available from AHEC (www.ahec.org).</p> <p>There have been international assessments of illegal logging from the World Wildlife Fund (WWF), Seneca Creek Associates, and Wood Resources International. These organizations have identified the areas where they have evidence of systematic illegal logging. These areas do not include the U.S. or Canada. In addition, the U.S. and Canada score high in measures of good governance such as offered by Transparency International and the World Bank. See http://www.worldbank.org/wbi/governance/data for good governance data compiled by the World bank and http://www.transparency.org/policy_research/surveys_indices/cpi for Transparency International indices.</p> <p>It is arguable that illegal logging is a problem in the United States. However, when compared to the global situation, relatively, illegal logging in this country is of such small magnitude or frequency that it cannot be considered to be systematic in any areas of the U.S. In addition, any illegal logging that does occur is often prosecuted or the rightful owner has means to remedy the situation.</p> <p>2. www.illegal-logging.org provides no evidence of anything affecting the sourcing area.</p> <p>3. The U. S. has sufficient Federal laws and law enforcement agencies that all states must abide by.</p>	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk</p>
<p>1.2 There is evidence in the district demonstrating the legality of harvests and wood purchases that includes robust and effective systems for granting licenses and harvest permits.</p>	<p>The Lacey Act (originally enacted in 1900) recently amended May 22, 2008, with the Food, Conservation, and Energy Act of 2008. This amendment expanded its protection to a broader range of plants and plant products including logging. The Lacey Act makes it unlawful to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant in violation of the laws of the United States, a State, an Indian tribe, or any foreign law that protects plants. The Lacey Act prohibits all trade in plant and plant products (e.g., furniture, paper, or lumber) that are illegally sourced from any U.S. state or any foreign country, requires importers to declare the country of origin of harvest and species name of all plants contained in their products, and establishes penalties for violation of the Act.</p>	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk</p>

1.3 There is little or no evidence or reporting of illegal harvesting in the district of origin.	1. www.panda.org reports no instances of illegal logging within the USA. 2. www.eldis.org provides no evidence of illegal harvesting within the USA. 3. www.ahec.org reports that timber theft is not considered to be a pervasive or systemic issue in the USA.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.	1. AHEC Legality Study concluded that that wood procured in this area can be considered Low Risk to threat to legality, based on the determination that there is no reported systematic illegal logging reported in this area and regulatory processes have been found to be highly effective. 2. www.transparency.org/content/download/23974/358242 - according to the CPI, the United States has a Country Rank of 20, a Regional Rank of 2, and a CPI score of 7.2	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2. Wood harvested in violation of traditional or civil rights The district of origin may be considered low risk in relation to the violation of traditional, civil and collective rights when <u>all</u> the following indicators are present:	Findings and Resources	Risk Level
2.1 There is no UN Security Council ban on timber exports from the country concerned.	1. http://www.un.org/Docs/sc/unsc_resolutions07.htm address numerous countries around the world with no relevance to this area. 2. The AHEC Legality Study reports no bans on timber exports from this area. 3. http://www.globalwitness.org/ reports no issue relative to this area	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2.2 The country or district is not designated a source of conflict timber (E.g USAID Type 1 conflict timber).	1. http://www.usaid.gov/our_work/cross-cutting_programs/transition_initiatives/pubs/vol1synth.pdf relates to conflict timber in Asia and Africa and does not apply to this area. 2. The entire USA does not comply as a designated source of conflict timber.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2.3 There is no evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district	The USA has comprehensive laws prohibiting the use of child labor or violation of worker rights.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk

concerned.		
2.4 There are recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the district concerned.	<p>1. www.fscus.org confirms that the USA has federal and state laws that preclude such violations and there are recognized and effective practices in place to resolve conflicts over traditional and cultural use rights.</p> <p>2. The AHEC legality study concludes that wood procured in this area can be considered Low Risk of violating traditional and civil rights. There are recognized and equitable processes in place to resolve conflicts of substantial magnitude.</p>	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
2.5 There is evidence of no violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the district concerned.	www.fscus.org – ILO Fundamental Principles and rights at work are generally respected in the USA.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
<p>3. Wood harvested from forest in which high conservation values are threatened by management activities</p> <p>The district of origin may be considered low risk in relation to threat to high conservation values if:</p> <p>a) indicator 3.1 is met; or b) indicator 3.2 eliminates (or greatly mitigates) the threat posed to the district of origin by non-</p>	<p>Findings and Resources</p>	<p>Risk Level</p>

compliance with 3.1.		
<p>3.1 Forest management activities in the relevant level (eco-region, sub-eco-region, local) do not threaten ecoregionally significant high conservation values. OR</p>	<p>1. AHEC legality Study. A strong system of forest protection is in place across the entire USA.</p> <p>2. The only biodiversity hotspot listed on www.biodiversityhotspots.org that is found within this sourcing region is the California Floristic Province. This zone of Mediterranean-type climate extends into southwest Oregon. This biodiversity hotspot is at a low risk due to the amount of legal protection given.</p> <p>3. Of the 30 ecoregions of concern in the US based upon the Global 200 Ecoregion list as published by WWF, only the Pacific Temperate Rainforests (#72 on the WWF list) and Klamath Siskiyou Coniferous Forest (#73 on the WWF list) are found within this sourcing region. The areas within these ecoregions that are considered to have significant high conservation values are give legal protection.</p>	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk</p>
<p>3.2 A strong system of protection (effective protected areas and legislation) is in place that ensures survival of the HCVs in the ecoregion.</p>	<p>1. http://www.worldwildlife.org/science/ecoregions/WWFBinaryitem4810.pdf identifies two forested eco-regions within this area: the Pacific Temperate Rainforests (#72 on the WWF list) and Klamath Siskiyou Coniferous Forest (#73 on the WWF list) are listed as critical or endangered. Both states within these two eco-regions have extensive programs to identify and protect biodiversity hotspots or nature preserves to assure continued survival; an extensive system of national forests and wildlife preserves protects thousands of acres; NGOs such as The Nature Conservancy have additional systems of Nature Preserves. With the level of detection and preservation within this area, there is little risk to high conservation values.</p> <p>2. The Nature Serve network (http://www.natureserve.org/visitLocal/index.jsp) includes member programs operating in all 50 U. S. states as well as Canada and many other countries around the world. The Washington Natural Heritage Program (http://www.dnr.wa.gov/ResearchScience/Topics/NaturalHeritage/Pages/amp_nh.aspx) and Oregon Natural Heritage Information Center (http://oregonstate.edu/ornhic/) are both part of the Nature Serve network that collects and shares information on priority species and ecosystems and manage sites, species, and ecosystems that are rare or have very limited distribution. This provides public awareness and a strong system of protection, resulting in a low risk to high conservation values.</p>	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk</p>
4. Wood harvested from areas being converted from forests and other wooded ecosystems	Findings and Resources	Risk Level

<p>to plantations or non-forest uses</p> <p>The district of origin may be considered low risk in relation to conversion of forest to plantations or non-forest uses when the following indicator is present:</p> <p>[Note: the change from plantations to other land uses is not considered as conversion].</p>		
<p>4.1 There is no net loss AND no significant rate of loss (> 0.5% per year) of natural forests and other naturally wooded ecosystems such as savannahs taking place in the eco-region in question.</p>	<p>1. US Forest Service Forest Inventory and Analysis data are available for each state within this area. The growth of forests generally exceeds removals. The total acreage of forest land in most state is generally stable. According to the US Forest Service document http://www.ncrs.fs.fed.us/pubs/gtr/gtr_nc241.pdf, forest acreage in this sourcing region increased from 51,294,000 acres in 1987 to 51,621,000 acres in 2002, an annual increase of 0.04%. Within the state of Washington during that period, acreage declined 0.16% annually.</p> <p>2. A more recent document, Forest Resources of the United States, 2007, available at http://fia.fs.fed.us/program-features/rpa/, reports similar information. This document compares state by state forest acreages between 2007 and 1997. This summary reinforces the concept that forest acreage in the sourcing area is stable or increasing, from 51,612,000 acres in 1997 to 52,446,000 acres in 2007, an increase of 836,000 acres or 1.62% (annual increase of 0.16%). Both states exhibited increases in forest acreage during this period.</p> <p>Because the sourcing region area is experiencing stable or increasing forest acreage, the area is at low risk of deforestation.</p>	<p><input checked="" type="checkbox"/> Low Risk</p> <p><input type="checkbox"/> Unspecified Risk</p>

5. Wood from forests in which genetically modified trees are planted 5. The district of origin may be considered low risk in relation to wood from genetically modified trees when <u>one of</u> the following indicators is complied with:	Findings and Resources	Risk Level
a) There is no commercial use of genetically modified trees of the species concerned taking place in the country or district concerned. OR	http://www.fscus.org/images/documents/controlled_wood/5_07/US%20CW%20Guidance%20-%20v3.2.doc states that currently the only possible source of genetically modified wood is from China plantations of one species, Lombardy poplar (<i>Populus nigra</i>). No other species is available as GMO; the use of Lombardy poplar in general and specifically from China is extremely low to non-existent	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
b) Licenses are required for commercial use of genetically modified trees and there are no licenses for commercial use. OR	AHEC Legality Study – At this time all wood sourced in the US can be considered to not contain wood from GMO trees.	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk
c) It is forbidden to use genetically modified trees commercially in the country concerned.	NA	<input type="checkbox"/> Low Risk <input type="checkbox"/> Unspecified Risk

Appendix E. Complaints Mechanism

Complaints supported by evidence related to supplies of controlled wood will be assessed by the Property Program Specialist within 2 weeks of receipt. In the event that evidence is considered relevant, a field verification will be conducted within 2 months of receipt of the complaint. Field verifications will be conducted by personnel with sufficient expertise and knowledge to be able to conduct the verification in accordance to the standard (Annex 3 of FSC-STD-40-005 V2-1).

If the field verification concludes that the wood does not meet the requirements of FSC Controlled Wood standard Annex 3, or if the field verification is not conducted within 2 months of receipt of the complaint, then the supply will be excluded from our FSC Product Groups and no claims about this material will be made until the supply has been proven to comply with the FSC Controlled Wood requirements. Furthermore, the Division of Forestry will notify the United State FSC National Initiative and SCS of the results of the verification within 2 weeks.

Records of all complaints received and actions taken will be kept for a minimum of 5 years and made available to SCS upon request.

Anyone may submit complaints along with evidence to:

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